



# ICAS BULLETIN

## Institute for China-America Studies

### A Survey of Scholarship on US-China Relations

*Twice a month, the ICAS Bulletin updates a global audience on American perspectives regarding the world's most important bilateral relationship. Research papers, journal articles, and other prominent work published in the US are listed here alongside information about events at US-based institutions.*

Commentary: "Lessons Learned" from the Obama Pivot p. 5

#### Publications

##### **China's fixation on Stability Creates Economic Risks**

Eswar Prasad

*Financial Times*, March 13, 2017

Calling them an "upside-down approach to stability," Prasad criticized China's recent controls over capital outflows and retreat from economic reform. He argues that the volatility inherent in market economies is less dangerous than government intervention, which sends negative signals to investors. Instead, the best way to seek economic stability is to reduce government intervention and pursue a predictable policy and regulatory environment.

##### **Tomb Sweeping Day: Deadline for a US China Policy**

Scott Kennedy

CSIS, March 14, 2017

With the first meeting between American and Chinese presidents is set for April, Kennedy discusses some issues that require President Trump's attention: 1) the significance of the US-China relationship to American prosperity and security; 2) Trump's expectations from Xi on trade and security issues; 3) compromises that the US might accept in exchange for China's coordination; 4) American responses in the event of Chinese shirking; and finally, 5) the overall framework of US policy towards China.

##### **The Other Side of the World: China, the United States, and the Struggle for Middle East Security**

Jon Alterman

CSIS, March 14, 2017

Alterman discusses new trends and challenges regarding China's rising role in the Middle East in this report. China's current approach to the Middle East is far from being equivalent to that of the US, and its

intent is restricted to strengthening economic ties with the region without making new rules for security and governance. However, the rebalance to Asia and US security interests in the Middle East raise questions about China's role there. Both countries will have to make decisions about how to preserve their interests in the region without clashing with each other.

### **2017, The Year Chairman Xi Will Come into His Own**

Douglas Paal

Carnegie Endowment for International Peace, March 9, 2017

Paal shares his thoughts on the upcoming 19<sup>th</sup> party congress, suggesting that Xi has achieved the height of power after five years of consolidating it. Xi may pursue a more ambitious agenda, which means China will play a more proactive role in global affairs but become more determined in defending its most sensitive interests. As Xi will enter his second term, Paal warns that the world will see a leader "less in need of demonstrating his diplomatic savvy and more in need of demonstrating results."

### **The Russia-China Partnership Remains Strong, Despite America**

Stacy Closson

Wilson Center, March 8, 2017

Russia and China recently vetoed a UN Security Council resolution on Syria supported by the Western powers, which in Closson's words, "confirmed that the Russia-China partnership is as strong as ever." At the same time, President Trump's persistent rhetoric that criticizes China while praising Russia raises Beijing's concerns over "potential marginalization."

### **Beijing, Washington Face Similar Economic Challenges**

Yukon Huang

Carnegie Endowment for International Peace, March 7, 2017

Huang argues that China and the US are facing similar economic challenges despite their contrasting capitalist models. With this in mind, Huang suggests that both countries should make efforts to moderate rising income disparities, design effective regulatory systems, reshape financial and fiscal regulatory systems, manage risks associated with large corporations, and stimulate innovation.

### **China Tolerating Vietnam's South China Sea Activities, for Now**

Derek Grossman

RAND Institute, March 2, 2017

Grossman suggests that "overwhelming" Chinese military superiority in the region is the underlying reason behind China's unusually calm response to Vietnam's recent military buildups in the Spratly Islands. China is willing to downplay maritime issues with Vietnam as long as Hanoi refrains from seeking support from the US or other partners to settle bilateral disputes. Beijing might behave more aggressively if Vietnam acquires enough capability to challenge China's military assets in the region.

### **How to Get Tough on China, in Six Easy Steps**

Ely Ratner

*Foreign Policy*, March 3, 2017

Ratner advocates that the US: 1) ground its actions in broadly applicable international laws; 2) improve consistency and clarity in its messages to Beijing 3) restore the confidence of US allies in the region; 4) devote more energy to regional affairs and platforms such as ASEAN and APEC; 5) reject the notion of “New Type of Great Powers Relations” because it undermines US interests in the Asia-Pacific; and 6) maintain “serious and sustained” dialogue with Beijing to ensure effective communications.

## Events and Discussions

### **China’s Once (and Future?) Hegemony in Asia**

Robert Daly, Howard French  
Wilson Center, March 16, 2017

Daly discussed the new book *Everything Under the Heavens* with author Howard French. French described the Chinese concept of *tianxia* as an ordering principle for international affairs, and how it affects contemporary rhetoric and thought in China. According to French, Chinese leaders vacillate between drawing upon a Western, Westphalian conception of international affairs and a more hierarchical traditional view in which China has an exceptional and preeminent (though supposedly benevolent) status. French sees Chinese policy as seeking to restore its past regional primacy, though not necessarily through aggressive means, and not necessarily in a manner that precludes a give and take process of accommodation with the United States.

### **Donald Trump’s Chinese Economic Challenge**

Derek Scissors, Desmond Lachman, Rory Macfarquhar, Brad Setser  
American Enterprise Institute, March 16, 2017

Dollar described China’s slow structural transformation towards a consumption-led growth model and noted the US has legitimate concerns about accessing the Chinese market. He suggested that the US should play a “responsible hardball” strategy with China – that is to target Chinese state-owned enterprises instead of posing high tariffs on Chinese exports. Macfarquhar suggested that US trade policy should aim to reduce China’s saving rates, maintain China’s financial and fiscal stability, and push back China’s efforts to localize production. To Scissors, China has been facing economic problems such as stagnation since 2003, when the consumption/investment imbalance was created. While the US is not taking enough strong actions against China, he worried that the Trump administration may take more protectionist actions next year. Setser’s policy options for “responsible hardball” include increasing US imports to China, implementing new safeguard measures, and making full use of WTO rules against China’s industrial policies.

### **Cross-Strait relations at a juncture: Japanese and American perspectives**

Richard Bush, Chisako T. Masuo, Russel Hsiao, Yasuhiro Matsuda  
Brookings, March 13, 2017

Calling mainland China and Taiwan “cooperative antagonists,” Matsuda examined the mutually damaging stalemate between both sides and speculated about possible opportunities for improvement in cross-strait relations. Hsiao reviewed efforts made by both sides over the past two years and suggested that Tsai’s new appointments in February indicated “new emphasis on external factors

weighing in on cross-strait relations.” Masuo described Beijing as an aggressive and tough challenger to regional order and American hegemony with careful calculation. Uncertain of the US position on cross-strait relations, she recommended that Taiwanese leadership pursue “a low-key stance for survival” and avoid confrontation with Beijing.

### **The Geopolitical Impact of China’s Economic Diplomacy**

Richard Bush, David Dollar, Evan Feigenbaum, Masahiro Kawai, Kiyoyuki Seguchi  
Brookings, March 8, 2017

China’s recent economic diplomacy strategy has drawn the attention of American and Japanese scholars. In this panel discussion, Dollar highlighted the important role that the US can play in balancing China’s economic engagement with developing countries. Kawai suggested that Japan should pursue the TPP agenda without the US while working closely with China. Feigenbaum shared his experience with Central Asian countries and called for a proactive engagement with AIIB and the Belt and Road initiative.

### **Views from a Former President: Taiwan’s Past, Present and Future**

Douglas Paal, Richard Bush, Ma Ying-jeou  
Brookings, March 7, 2017

Ma first reviewed the history of cross-strait relations from the establishment of the “One China Policy” in 1972 to Trump’s phone call with Tsai last December and talked about efforts made during his tenure, especially the milestone meeting with Xi. Ma frequently addressed the indispensable role of the ‘92 Consensus – in his words “a fundamental political commitment for Taiwan and the mainland.” He ended his remarks by calling the ‘92 Consensus as “the key to the success” of his grand strategy for Taiwan.

### **Hollywood Made in China**

Aynne Kokas, Sandy Pho, Robert Daly  
Wilson Center, March 6, 2017

During this discussion about her recent book *Hollywood Made in China*, Kokas examined recent trends in China’s film market and its relationship with Hollywood. The rapidly growing Chinese film industry brings new opportunities for Hollywood, but issues such as import quotas, piracy, and “brandsapes” are posing serious limitations to American filmmakers. Despite challenges, Kokas believed that “making entertainment locally in China will continue to transform Hollywood.”

## Commentary

### Interpreting and Misinterpreting the “Lessons Learned” from the Obama Pivot

Alek Chance

#### **The Problem with Conventional Wisdom**

The official demise of the “rebalance” or the “pivot to Asia” is a good time to reflect upon its significance to American thinking on Asia and China in particular. There has been much cogent criticism of Obama’s “pivot to Asia”—that its messaging was poor; that the means provided were insufficient to its grand aims. But some emerging conventional wisdom should be regarded with caution. One line of criticism, that Obama signaled American weakness to China and thus “invited” its assertiveness, looks to secure itself as a central lesson learned.

The question of whether US policy has been perceived in China to be weak or aggressive is an important one, as is the question of the degree to which recent Chinese behavior is driven by American actions in the first place. If Americans interpret current Chinese activities to be a reaction to American weakness, they will likely come to a very different understanding of Beijing’s motives than if they viewed China’s actions as a response to American strength. Unfortunately, much of the discussion on this topic issues from assumptions that are not always critically evaluated.

It is easy to find analyses that proclaim that the pivot has failed through lack of American resolve, that it wasn’t meaningful, or that Chinese officials viewed Barack Obama to be a pushover. Such arguments tend to group together a few key assumptions: First, that Chinese leaders share the view of American China hawks that the pivot lacked substance; Second, that perceptions of a competitor’s weakness invite aggression rather than complacency—the logic of the “Munich analogy;” Third, that Chinese actions (particularly in the maritime domain) are directed primarily with a view to strategic competition with the United States, rather than arising from domestic or regional considerations.

We should be careful with these kinds of assumptions, not least because they influence our interpretation of subsequent events. Faulty conventional wisdom can be dangerously misleading. Those assumptions relating to Chinese perceptions require still more circumspection: social scientists have identified pervasive human tendencies misinterpret others’ viewpoints, overestimate the role that they play in others’ decisions, and misjudge the perceptions they themselves generate. Combined, these dynamics can present challenges to properly interpreting China’s or any other state’s behavior.

Failing to recognize alternative explanations for a counterpart’s actions can misinform plans or distort views of the present. This is because, try as they might, it is hard for observers of international affairs to disentangle interpretations of a given action from theories about the intentions behind it. Once we establish a framework for interpreting ambiguous information, it becomes difficult for us to remain open to other explanations. Taking stock of common Chinese views of the pivot can inform this discussion by illuminating alternative hypotheses and avoiding a potentially misleading narrowing of our explanatory narratives. Sensible Americans might well conclude that some policies toward China should be pursued with a firmer hand, but such a judgment should not derive from the premise that Obama and his policies were seen to be weak.

### Common Chinese Views of the Pivot

Chinese responses to the pivot have varied, but as one American observer notes, early reactions mostly ranged from tepid criticism to outright condemnation of American attempts to contain China. Another account observes that the pivot has “increased the sentiment of insecurity and sense of being threatened among elites and the public in mainland China.” Unlike Obama’s critics in Washington, many Chinese view American military activities as significant, closely scrutinize evolving US relations with other Asian states, and see important shifts in US policy in the South China Sea. Such perceptions are formed within a broader understanding that American foreign policy is determined by invidious motives and seeks to militarily encircle China and thwart its rise.

Deeply held Chinese beliefs about American grand strategy necessarily condition subsequent interpretations of US policies. Many Chinese and American analysts have observed that there is a pervasive view in China that US foreign policy is driven by the tenets of offensive neo-realism and seeks to maintain hegemonic control over Asia at China’s direct expense. The US is often accused of embracing the “law of the jungle,” pursuing “power politics,” and failing to escape a “cold war mindset.” Even purposeful American shifts towards appeasement or retrenchment would have to swim against this tide of baseline views.

Some pivot policies have arguably reinforced rather than undermined these images of the United States. Chinese pundits and academics frequently portray the pivot to be an intensification of military activity. Chinese academics frequently claim that the tempo of US close-in surveillance activities has intensified over the last several years, as have sea-days and joint exercises for US Navy ships in China’s near seas. US Navy freedom of navigation operations are widely regarded in China to be shows of force rather than simple exercises of legal rights. Chinese discussion of the pivot often echoes the Pentagon’s claim that the quality of American and allied military technology has stepped up in recent years. While some Americans have downplayed new agreements with Australia and Singapore, Chinese analysts see a qualitative shift in strategy aimed at embedding the US in the region in new ways.

On the diplomatic front, it is very common to hear Chinese scholars and pundits contend that the US no longer has a policy of neutrality in the South China Sea territorial disputes. Most will point to Secretary of State Hillary Clinton’s remarks at the July 2010 ASEAN Regional Forum in which she announced that the US has a “national interest” in freedom of navigation in East Asia as a signal of intensified US pressure. One can often hear Chinese analysts accuse the United States of having prompted the Philippines to pursue its case against China in the Permanent Court of Arbitration, or even to have somehow influenced the court’s verdict.

Some of these viewpoints are clearly off the mark. Many are sincere misapprehensions, while others are likely disingenuous rhetoric. On the other hand, many Chinese views of the pivot’s assertiveness are in fact shared by some American analysts. One American scholar notes that an element of the pivot has been a potentially provocative shift toward stronger ties with continental Asia, particularly with Vietnam beginning in 2010. Another observes that the kinds of relations built by the agreements with Singapore and Australia were integral to a long-desired goal of creating partner capacity and interoperability in Asia in the name of external balancing against China. This turn towards a focus on trilateral or multilateral relations aimed to replace the US-centric “hub and spoke” model of security cooperation with a new concept called “federated defense.” As early as the George W. Bush administration, the concept was regarded to be instrumental to a new approach to “dissuading” China from challenging the status quo. Few people outside of China seem to believe that the US forced the Philippines into a legal

confrontation with China. However, some in the US and elsewhere have speculated that American diplomacy in 2010 and after inadvertently encouraged some partners to overplay their hands.

### **The Risks of Misinterpretation**

By potentially overstating the applicability of the “Munich” logic to the US-China security relationship, Obama’s critics turn their backs on the possibility that other dynamics might be at play. In fact, most of the Chinese perceptions described above indicate that recent American security postures have increased China’s sense of insecurity and added to longstanding views of US “encirclement.” The possibility that security dilemmas might apply to aspects of the US-China relationship shouldn’t simply be defined away by announcing that China is inherently and implacably revisionist. Unfortunately, maintaining an open mind can be difficult. There are many cognitive and institutional reasons for hawkish worldviews to predominate, and some have speculated that the human mind has a bias towards “Munich” thinking.

Moreover, by assuming that Chinese assertiveness in the maritime space has been “invited” by American weakness, Obama’s critics run the risk of overestimating the degree to which China has the US in mind when it takes a given action. China’s territorial ambitions in the Spratly Islands and perhaps even the modernization of its navy are driven in large part by considerations external to the US-China relationship—for example, appeals to nationalism in the domestic political sphere. Incorrectly assuming that each Chinese action is in essence a test of American resolve might unnecessarily and counterproductively introduce a dynamic of zero-sum competition. This is not to say that the United States shouldn’t assert its own, its allies,’ and the international community’s legitimate interests in the region. But policy should be calibrated with a view toward those interests themselves, not their symbolic value in a contest of wills that may or may not be at hand.

Much commentary in the US-China relationship contains the kinds of framing assumptions that can subtly influence our interpretation of events and even diminish our ability to consider alternative perspectives. Given the many misperceptions about American strategic culture in China, such problems are a two-way street. American and Chinese views of the other are often described as ambivalent, and their policies towards one another as hedging or balancing aspects of competition and cooperation. Our methods of interpretation and means of explaining the other’s behavior should be accordingly nuanced, flexible, and open to adjustment.

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